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**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NEW ORLEANS, LOUISIANA**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **FEB 25 2015**

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PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants

Management Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Upper Pontalba Building Restoration Corporation
(A Proprietary Component Unit of the City of New Orleans)
New Orleans, Louisiana

We have audited the accompanying financial statements of the Upper Pontalba Building Restoration Corporation (the Upper Pontalba), a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Upper Pontalba's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

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evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Upper Pontalba, a proprietary component unit of the City of New Orleans, as of and for the year ended December 31, 2013 and 2012, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Pontalba's basic financial statements. The budgetary comparison schedule listed as other supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2014, on our consideration of the Upper Pontalba's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Upper Pontalba's internal control over financial reporting and compliance.

Paillet, Meunier and LeBlanc, LLP

New Orleans, Louisiana
June 13, 2014

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Upper Pontalba Building Restoration Corporation (the Upper Pontalba), a proprietary component unit of the City of New Orleans, management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the Upper Pontalba's financial activity, and identify changes in the Upper Pontalba's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending December 31, 2013.

As required in GASB 34, the financial report is presented in the following order:

- Management's Discussion and Analysis
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Revenues, Expenditures and Changes in Net Position
 - Statement of Cash Flow
 - Notes to the Financial Statements
- Other Required Supplementary Information
- Required Supplementary Information

OVERVIEW OF THE FINANCIAL STATEMENTS

The Upper Pontalba's financial statements comprise the basic financial statements and the notes to the financial statements. These statements use the full accrual basis of accounting similar to private sector companies. Since the Upper Pontalba consists of a single enterprise fund, no fund level financial statements are shown. The basic financial statements are designed to provide readers with a broad overview of the Upper Pontalba's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Upper Pontalba's assets and liabilities, with the difference between the two reported as net position, over time, increases or decreases in net position may serve as a useful indicator of whether the financial positions of the Upper Pontalba is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without corresponding increases to liabilities, results in increased net position, which indicates an improved financial position.

The Statement of Revenue, Expenses, and Changes in Fund Net Position presents information showing how the Upper Pontalba's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related-cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (i.e., earned but unused vacation leave).

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

FINANCIAL ANALYSIS OF THE UPPER PONTALBA

The Upper Pontalba's total assets for 2013 increased by \$976,308 as a result of decreases to cash and cash equivalents and capital assets. The total liabilities increased in 2013 by \$86,516 primarily due to the early retirement of outstanding Bonds. As a result, the Upper Pontalba's assets exceeded liabilities by \$9,029,750 at the end of 2013. There was an increase of \$880,798 from the previous year.

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 2,604,058	\$ 1,413,236
Noncurrent assets	7,834,758	8,049,272
Total assets	<u>10,438,816</u>	<u>9,462,508</u>
LIABILITIES		
Current liabilities	1,371,438	1,284,922
Noncurrent liabilities	-	-
Total liabilities	<u>1,371,438</u>	<u>1,284,922</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred rental income	<u>\$ 37,628</u>	<u>\$ 28,634</u>
NET POSITION		
Net investment in capital assets	\$ 7,834,758	\$ 8,049,272
Unrestricted	1,194,992	99,680
Total net position	<u>\$ 9,029,750</u>	<u>\$ 8,148,952</u>

CAPITAL ASSETS

The Upper Pontalba's investment in capital assets amounts to \$7,834,758, net of accumulated depreciation, as of December 31, 2013, which is an decrease of \$(214,514) as compared to 2012. Capital assets include land, buildings and improvements, furniture, fixtures, and equipment. The Upper Pontalba uses these capital assets to provide its primary revenue source and consequently these assets are not available to liquidate liabilities or other spending.

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 14,315,760	\$ 14,183,070
Less: accumulated depreciation	<u>6,481,002</u>	<u>6,133,798</u>
Net capital assets	<u>\$ 7,834,758</u>	<u>\$ 8,049,272</u>

Depreciation expense for the year is \$347,204.

DEBT ADMINISTRATION

The Upper Pontalba has retired all outstanding bonds payable as of December 31, 2013.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

NET POSITION

As indicated below, total net position is \$9,029,750. Net position can be separated into three categories: Net investment in capital assets, restricted for revenue bond service, and unrestricted net position. The largest portion of the Upper Pontalba's net position reflects its investments in capital assets (i.e., buildings and improvements) less any related debt used to improve those assets that are still outstanding.

	2013	2012
NET POSITION:		
Net investment in capital assets	\$ 7,834,758	\$ 8,049,272
Unrestricted	1,194,992	99,680
TOTAL NET POSITION	\$ 9,029,750	\$ 8,148,952

Net position invested in capital assets are a combination of capital assets at original cost less accumulated depreciation and less any related debt. The original cost of capital assets is \$14,315,760, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition, \$6,481,002. In accordance with accounting principles generally accepted in the United States of America, depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset.

The remaining unrestricted net position is \$1,194,992. The unrestricted net position is an accumulation of prior years' operating results. This balance is directly affected each year by the Upper Pontalba's operating results.

RESULTS OF OPERATIONS

The Upper Pontalba's total net position increased by \$880,798 over the course of the year's operations, primarily due to an increase in operating revenues. Total operating revenues increased by \$215,613 or 11.8% from the previous year. This resulted primarily due to a gradual reduction in the discount of tenant rents through the beginning portion of the year and increased rental rates.

	2013	2012
Operating revenues	\$ 2,039,048	\$ 1,823,435
Operating expenses	1,059,313	1,209,435
Operating Income	979,735	614,000
Non-operating expenses	1,063	4,359
Income before transfer out	980,798	618,359
Transfer out	(100,000)	(100,000)
Increase (decrease) in net position	\$ 880,798	\$ 518,359

Operating expenses were higher/(lower) in 2013 by \$(150,122) due to overall decreases in various expenses; however insurance expense increased by \$77,817.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013

ORIGINAL VS. REVISED BUDGET

The Upper Pontalba adopts an annual operating budget and a five-year capital budget. The operating budget includes proposed expenses and the means of financing them. The operating budget remains in effect throughout the year. The capital budget includes major building repairs and renovations, vehicle purchases, equipment replacements, painting of buildings, and landscape improvements.

REVENUE BUDGET

The Upper Pontalba's actual general fund revenues of \$2,040,111 were greater than the budget by \$176,214, a variance of approximately 8.6%.

EXPENDITURE BUDGET

The Upper Pontalba's actual general fund expenditures of \$945,862 were lower than the budget by \$918,035, a variance of approximately 97.1%; \$80,907 was attributed to operating expenditures, \$540,937 was attributed to early retirement of outstanding debt, and \$296,191 was attributed to purchases of fixed assets.

CONTACTING THE UPPER PONTALBA BUILDING RESTORATION COMPANY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Upper Pontalba's finances and demonstrate the Upper Pontalba's accountability for money it receives. If you have questions about this report or need additional information, contact Mr. Jon Smith, Executive Director, at 1008 N. Peters St., New Orleans, LA 70116.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF NET POSITION
DECEMBER 31,

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,563,213	\$ 1,329,105
Tenant accounts receivables	13,861	29,083
Other receivables	1,381	5,692
Prepaid expenses	25,603	49,356
Total Current Assets	2,604,058	1,413,236
Noncurrent Assets		
Capital assets, net of accumulated depreciation	7,834,758	8,049,272
Total Noncurrent Assets	7,834,758	8,049,272
Total Assets	10,438,816	9,462,508
 LIABILITIES		
Current Liabilities:		
Accounts payable	86,164	104,207
Tenant rental deposits	155,538	150,979
Due to city agencies-net	1,129,736	1,029,736
Total Current Liabilities	1,371,438	1,284,922
Total Liabilities	1,371,438	1,284,922
 DEFERRED INFLOWS OF RESOURCES		
Deferred rental income	\$ 37,628	\$ 28,634
Total Deferred Inflows of Resources	\$ 37,628	\$ 28,634
 NET POSITION		
Net investment in capital assets	\$ 7,834,758	\$ 8,049,272
Unrestricted	1,194,992	99,680
 TOTAL NET POSITION	 \$ 9,029,750	 \$ 8,148,952

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31,

	2013	2012
Operating revenues:		
Rental income, net of vacancies of \$71,999 and \$178,035 for 2013 and 2012 respectively	\$ 2,032,253	\$ 1,809,347
Other income	6,795	14,088
Total operating revenues	2,039,048	1,823,435
Operating expenses:		
Salaries and related fringes	204,558	233,156
Letter of credit maintenance fee	755	38,358
Repairs and maintenance	78,431	111,218
Utilities	71,822	98,842
Insurance	255,102	177,285
Supplies	14,670	25,596
Professional Fees	36,790	98,236
Management Fees	41,667	50,000
Depreciation	347,204	329,410
Advertising	16,653	15,020
Other	(8,339)	32,314
Total Operating Expenses	1,059,313	1,209,435
Operating income	979,735	614,000
Non-operating revenues/ (expenses):		
Interest income	1,063	3,238
Bond interest	-	1,121
Total non-operating expenses	1,063	4,359
Income before transfer out	980,798	618,359
Transfer out	(100,000)	(100,000)
Changes in Net Position	880,798	518,359
Net Position - January 01,	8,148,952	7,630,593
Net Position - December 31,	\$ 9,029,750	\$ 8,148,952

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2013	2012
Cash Flows from Operating Activities:		
Received from tenants	\$ 2,061,027	\$ 1,786,479
Received from others	6,795	14,088
Paid to suppliers for goods and services	(397,529)	(638,794)
Paid to employees for services	<u>(204,558)</u>	<u>(233,156)</u>
Net cash provided by operating activities	<u>1,465,735</u>	<u>928,617</u>
Cash Flows from Noncapital Financial Activities:		
Operating transfer out	<u>(100,000)</u>	<u>(100,000)</u>
Capital used in noncapital financing activities	<u>(100,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bonds	-	1,121
Principal payments on bond	-	(2,121,832)
Payments for capital acquisitions	<u>(132,690)</u>	<u>(895,416)</u>
Capital used in capital and related financing activities	<u>(132,690)</u>	<u>(3,016,127)</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>1,063</u>	<u>3,238</u>
Cash provided by investing activities	<u>1,063</u>	<u>3,238</u>
Net increase in cash and cash equivalents	1,234,108	(2,184,272)
Cash and cash equivalents - January 01,	<u>1,329,105</u>	<u>3,513,377</u>
Cash and cash equivalents - December 31,	<u>\$ 2,563,213</u>	<u>\$ 1,329,105</u>
Reconciliation to Statements of Net Position:		
Cash and cash equivalents - current assets	\$ 2,563,213	\$ 1,329,105
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 2,563,213</u>	<u>\$ 1,329,105</u>

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

	2013	2012
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating income	\$ 979,735	\$ 614,000
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	347,204	329,410
Changes in assets and liabilities:		
(Increase) Decrease in receivables	15,222	(16,883)
Decrease in prepaid expenses	23,753	7
Decrease in other receivables	4,312	(653)
Increase (Decrease) in accounts payable and accrued expenses	(18,043)	(52,101)
Increase in due to city agencies	100,000	60,822
Increase in tenant rental deposits	4,559	(558)
Increase(Decrease) in deferred revenues	8,994	(5,427)
Net cash provided by operating activities	\$ 1,465,736	\$ 928,617

The notes to the financial statements are an integral part of this statement.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

INTRODUCTION

The Upper Pontalba Building Restoration Corporation (the Upper Pontalba) was organized on July 14, 1988, by the City of New Orleans for the purpose of renovating and operating the Upper Pontalba Building. The Upper Pontalba Building is a four-story residential and commercial (64 units) space facility located in the French Quarter. The Upper Pontalba's tenants are primarily from Louisiana with approximately 20-25% of the tenant's residing full-time in the building. The Upper Pontalba experiences an occupancy rate of 99%. The Upper Pontalba is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of the City of New Orleans. Prior to the organization of the Upper Pontalba, the operations of the Upper Pontalba Building were managed by the Upper Pontalba Commission.

During April 1995, the Upper Pontalba completed its four (4) phase \$8.1 million renovation project to refurbish the residential apartments of the Upper Pontalba Building; this was the first major renovation of the Upper Pontalba Building since the 1930s.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements of the Upper Pontalba have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis – for State and Local Governments*.

In addition, the Upper Pontalba has also adopted the provisions of Governmental Accounting Standards Board Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*. This statement requires that capital contributions to the Upper Pontalba be presented as a change in net position.

B. REPORTING ENTITY

As the governing authority of the Parish, for reporting purposes, the City of New Orleans is the financial reporting entity. The financial reporting entity consists of (a) the primary government (the City of New Orleans), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14, *the Financial Reporting Entity*, established criteria for determining which component units should be considered part of the City of New Orleans for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criterion includes:

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. REPORTING ENTITY (continued)

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the primary government to impose its will on that organization and/or;
 - b. the potential to provide specific financial benefits to or impose specific financial burdens on that organization.
2. Organizations for which the reporting entity does not appoint a voting majority but are fiscally dependent on the reporting entity.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization was not included.

Based on the above criteria, the Upper Pontalba is considered to be a component unit of the City of New Orleans, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Upper Pontalba and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. INCOME TAXES

The Upper Pontalba is owned by the City of New Orleans, and as such, no federal or state income taxes are assessed.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

The term measurement focus is used to denote what is being measured and reported in the Upper Pontalba's operating statement. The Upper Pontalba is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Upper Pontalba is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Upper Pontalba's operating statement. The Upper Pontalba used the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (continued)

The Upper Pontalba follows the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments*, Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and changes in net position, and a statement of cash flows. It requires the classification of net position into three components-Net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of Net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net positions that do not meet the definition of "restricted" or "Net investment in capital assets".

E. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in non-interest-bearing demand deposits. Cash equivalents include short-term, highly liquid U.S. Treasury securities money market funds with original maturities of 90 days or less. Under state law, the Upper Pontalba may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. ACCOUNTS RECEIVABLE

It is the practice of management to provide an allowance for any account which in management's opinion may not be collectible based upon a review of the current status of existing receivables. Management believes that all receivables are collectible at December 31, 2013; therefore, the financial statements do not include estimates for allowance for doubtful accounts.

H. ANNUAL AND SICK LEAVE

Employees hired after July 14, 1988 can accrue a maximum of 45 days of annual leave and an unlimited number of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick leave to additional years of service.

I. BUDGETS

The proposed budget, which is prepared on the modified accrual basis of accounting, must be approved by the City Council of the City of New Orleans. The budget is legally adopted and amended, as necessary, by the Upper Pontalba. All appropriations lapse at year-end. The amounts budgeted represent cash transactions, which are processed by the City of New Orleans, and are not included in the accompanying financial statements. Budget amounts included in the accompanying budgetary comparison schedule included the original adopted budget. The Upper Pontalba did not amend its original budget during the 2013 fiscal year.

J. CAPITAL IMPROVEMENT PLAN

The Upper Pontalba has a five-year capital improvement plan that includes various projects in several departments/units of the Upper Pontalba. Projects include, but are not limited to, purchasing additional security equipment, painting, plumbing, and certain major building repairs.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
 (A Proprietary Component Unit of the City of New Orleans)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. In situations involving the construction of certain assets financed with the proceeds from borrowings, the interest is capitalized. For the year ended December 31, 2013, no such interest was capitalized. Depreciation of capital assets is computed as follows:

Description	Method	Estimated Life (years)
Building and improvements	Straight-line	40
Furniture and equipment	Straight-line	3-10
Vehicles	Straight-line	3-5

L. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all significant financial instrument amounts have been determined by the Upper Pontalba using available market information and appropriate valuation methodologies. The Upper Pontalba considers the carrying value amounts of cash and cash equivalents, receivables, prepaid items and bonds and other payables to approximate market value.

N. DEFINING OPERATING REVENUES AND EXPENSES

The Upper Pontalba distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Upper Pontalba consist of charges for services and the cost of providing those services, including depreciation and excluding interest income/expense. All other revenues and expenses are reported as nonoperating

O. USE OF RESTRICTED/UNRESTRICTED RESOURCES

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Upper Pontalba's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

2. CASH AND EQUIVALENTS

At December 31, 2013, and 2012, the Upper Pontalba has cash and cash equivalents (book balances) totaling \$2,563,213 and \$1,329,105 as follows:

Non-interest-bearing demand deposits	<u>\$ 2,563,213</u>	<u>\$ 1,329,105</u>
Total	<u>\$ 2,563,213</u>	<u>\$ 1,329,105</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The Upper Pontalba value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The Upper Pontalba maintains non-interest bearing and low-interest bearing accounts at a local bank.

At December 31, 2013 and 2012, the Upper Pontalba has \$2,582,100 and \$1,360,372, respectively, in low-interest bearing and non-interest-bearing deposits (collected bank balances). These deposits are partially covered by federal deposit insurance and the remaining portion is fully covered by the pledged securities.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparts, the Upper Pontalba would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. The Upper Pontalba's deposits are not subject to custodial credit risk.

Cash equivalents consisting of U.S. Treasury Securities and money market funds are not subject to custodial credit risk.

3. CAPITAL ASSETS

Capital assets and depreciation as of and for the years ended December 31, 2013 and 2012, follow:

Government Activities	December 31, 2011	Additions/ (Transfers)	December 31, 2012	Additions/ (Transfers)	December 31, 2013
Land	\$ 52,000	\$ -	\$ 52,000	\$ -	\$ 52,000
Buildings and improvements	13,033,303	887,928	13,921,231	115,612	14,036,843
Furniture and equipment	<u>202,351</u>	<u>7,488</u>	<u>209,839</u>	<u>17,078</u>	<u>226,917</u>
Sub-total	13,287,654	895,416	14,183,070	132,690	14,315,760
Less accumulated depreciation:	<u>5,804,389</u>	<u>329,409</u>	<u>6,133,798</u>	<u>347,204</u>	<u>6,481,002</u>
Capital assets, net	<u>\$ 7,483,265</u>	<u>\$ 566,007</u>	<u>\$ 8,049,272</u>	<u>\$ (214,514)</u>	<u>\$ 7,834,758</u>
Depreciation Expense		<u>\$ 329,410</u>			<u>\$ 347,204</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
 (A Proprietary Component Unit of the City of New Orleans)
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013 and 2012

4. RENTALS UNDER OPERATING LEASES

The Upper Pontalba leases space to both commercial and residential tenants. These leases are for varying periods with majority of the residential lease terms for two (2) years and commercial leases for five (5) years. Commercial tenants are required to pay a percentage rent based on sales in excess of stipulated amounts. Many of the leases remain on a month-to-month basis; however, the Upper Pontalba has agreed to extend some of their operating leases through the year 2020.

Minimum future rentals to be received under the various operating leases as of December 31, 2013 for each of the next five (5) years:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 1,481,848
2015	697,707
2016	391,046
2017	204,968
2018	<u>7,074</u>
Total	<u>\$ 2,782,643</u>

5. PENSION PLAN

During 1997, clerical and administrative employees of the Upper Pontalba, who were not already receiving benefits from any of the other retirement plans sponsored by the City of New Orleans, became members of the Employees' Retirement System of the City of New Orleans (the Retirement System). The City Charter provided that the Retirement Ordinance (Chapter 114 of the Code) continues to govern and control the Retirement System under the management of a board of trustee. The Retirement System is a combination Defined Benefit and Defined Contribution Pension plan established under the laws of the State of Louisiana. The general administration has the responsibility for the proper operation of the Retirement System and for making effective the Retirement System. The Employees' Retirement System of the City of New Orleans issues a publicly available financial report that includes financial statements and required supplementary information.

For the fiscal year, employees participating in the Retirement System are required to contribute 6% of their salary and the employer is required to contribute 14.9%. Employer contributions to the Retirement System are based upon the amount necessary to fund normal cost and amortization of past service costs over a period of thirty years beginning July 1, 1974, using the level percentage of payroll method. The contribution requirements of Retirement System members and the Upper Pontalba are established and may be amended by the Retirement System's board of trustees.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

5. PENSION PLAN (continued)

Employees with thirty years of service, or who attain age 60 with ten years of service, or age 65, irrespective of length of service, are entitled to a retirement allowance. The retirement allowance consists of an annuity, which is the actuarial equivalent of the employee's accumulated contribution, plus an annual pension, which, together with the annuity, provides a total retirement allowance equal to 2.5% to 4% of average compensation times the number of years of service. The maximum pension may not exceed 100% of average compensation. Pension amounts are reduced for service retirement prior to age 62. Average compensation is defined as average annual earned compensation for the highest thirty-six successive months of service, less \$1,200. Mandatory retirement age is 70.

Disability Benefits

Disability benefits are awarded to active members with 10 or more years of creditable service if a physician nominated by the board certifies that the member is totally incapacitated and that such incapacitation is likely to be permanent. The member receives an annuity, which is the actuarial equivalent to the employee's accumulated contribution, plus an annual pension, which, together with the annuity, shall be 75% of the service allowance that would have been payable upon service retirement at age 65, had the member continued in service to the age of 65. Such allowance is to be computed on the average compensation, plus the sum \$ 1,200 provided, however, that the minimum annual retirement allowance will be \$300 per year.

6. TRANSACTIONS WITH RELATED PARTIES

French Market Corporation

The Upper Pontalba is a non-profit corporation administered by a Board of Directors consisting of seven members that are appointed by the sole stockholder, the Mayor of the City of New Orleans. The French Market Corporation is the management company for the Upper Pontalba; as a result, they maintain their payroll, through the city, and receive an annual fee for their services. As of December 31, 2013, the Upper Pontalba had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurred Costs	Fees	Accounts Payable
Salary and Related Expenses	\$ 204,558	\$ -	\$ -
Management Fee	-	41,667	-
Totals	<u>\$ 204,558</u>	<u>\$ 41,667</u>	<u>\$ -</u>

As of December 31, 2012, the Upper Pontalba had incurred the following expenses, with the following amounts unpaid as of that date:

	Incurred Costs	Fees	Accounts Payable
Salary and Related Expenses	\$ 233,156	\$ -	\$ (12,500)
Management Fee	-	50,000	12,500
Totals	<u>\$ 233,156</u>	<u>\$ 50,000</u>	<u>\$ -</u>

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

7. JOINT MERGER AGREEMENT

A joint merger agreement dated October 9, 2013, was entered into pursuant to the provisions of Section 243 of the Louisiana Nonprofit Corporation Law, La R.S. 12:201, *et seq.*, by and between majorities of the directors and approved by the sole shareholder, the Mayor of the City of New Orleans, of Upper Pontalba Building Corporation ("Assimilated Corporation") and French Market Corporation ("Surviving Corporation"). The merger, effective January 1, 2014, was signed and approved by the Mayor of the City of New Orleans on March 14, 2014.

8. RISK MANAGEMENT

The Upper Pontalba is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which the Upper Pontalba carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

9. DISTRIBUTABLE NET PROFITS

The Articles of Incorporation and the lease and franchise agreement provide that distributable net profits, as defined, that are derived from the operations of the Upper Pontalba or any activity carried on by the Upper Pontalba shall be paid to the City of New Orleans, as a public body, except for amounts applied for the reduction of the renovation loan so long as there exist any amounts outstanding under the Renovation Loan Agreement.

10. NET POSITION

Net Position is restricted for the following reasons:

Net investment in capital assets:

	2013	2012
Capital Assets	\$ 14,315,760	\$ 14,183,070
Less:		
Accumulated Depreciation	6,481,002	6,133,798
Debt related to Capital Assets	-	-
Net investment in capital assets	\$ 7,834,758	\$ 8,049,272

11. CONTINGENCIES

The Upper Pontalba is a defendant in various lawsuits filed for alleged breaches and unspecified damages. Outside counsels for the The Upper Pontalba have advised that at this stage in the proceedings they cannot offer opinions as to the probable outcomes of these lawsuits. The Upper Pontalba believes the suits are without merit and is vigorously defending its positions.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

12. SUBSEQUENT EVENTS

FASB Accounting Standards Codification Topic 855, "Subsequent Events" addresses events which occur after the balance sheet date but before the issuance of financial statements. An entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that existed after the balance sheet date. Additionally, Topic 855 requires disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued or were available to be issued. Management evaluated the activity of the Upper Pontalba Building Restoration Corporation through June 13, 2014, the date the financial statements were issued, and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget	Actual GAAP BASIS	Variance With Final Budget Positive (Negative)
Total Operating Expenditures	\$ 893,016	\$ 812,109	\$ 80,907
Other Expenditures			
Debt Service	542,000	1,063	540,937
Provisions for Reserves	428,881	132,690	296,191
Total Expenditures	<u>\$ 1,863,897</u>	<u>\$ 945,862</u>	<u>\$ 918,035</u>
Revenues	<u>\$ 1,863,897</u>	<u>\$ 2,040,111</u>	<u>\$ 176,214</u>
Total Revenues	<u>\$ 1,863,897</u>	<u>\$ 2,040,111</u>	<u>\$ 176,214</u>

PAILET, MEUNIER and LeBLANC, L.L.P.

Certified Public Accountants
Management Consultants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Upper Pontalba Building Restoration Corporation
(A Proprietary Component Unit
of the City of New Orleans)
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Upper Pontalba Building Restoration Corporation (the Upper Pontalba) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Upper Pontalba's basic financial statements, and have issued our report thereon dated June 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Pontalba's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Pontalba's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Pontalba's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Pontalba's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paillet, Meunier and LeBlanc, LLP

New Orleans, Louisiana
June 13, 2014

UPPER PONTALBA BUILDING RESTORATION CORPORATION
(A Proprietary Component Unit of the City of New Orleans)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

- A. Control deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements: No. Material weaknesses: No.
- B. Noncompliance which is material to the financial statements: No
- C. Control deficiencies in internal control over major programs: N/A.
Material weaknesses: N/A.
- D. The type of report issued on compliance for major programs: N/A.
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-13: N/A
- F. Major programs: N/A.
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A.
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A.
- I. A management letter was issued: No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.